

GUARANTEED LAND STOCK EXCHANGED FOR CONSOLS
(IRELAND).

R E T U R N

To an Order of the Honourable The House of Commons, dated 27 March 1893,--

for,

COPY OF THE TREASURY MINUTE of July 1892, showing the Conditions upon which the HOLDERS of IRISH GUARANTEED LAND STOCK may exchange it for CONSOLS.

Treasury Chambers,
7 April 1893. }

JOHN T. HIBBERT.

(*Sir T. Esmonds.*)

Ordered, by The House of Commons, to be Printed,
14 April 1893.

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BY EYRE AND SPOTTISWOODE,
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1893.

Exchange of Guaranteed Land Stock.

TREASURY MINUTE, dated the 25th July 1892.

The Chancellor of the Exchequer calls the attention of the Board to section 15 of the Purchase of Land (Ireland) Act, 1891 (54 & 55 Vict. c. 48.), which provides that

"All persons, including the National Debt Commissioners, shall have the like power of investing in the said (Guaranteed Land) Stock as they have in Consolidated Annuities, and the National Debt Commissioners shall, within the limits fixed by the Treasury in communication with them, give on application Consolidated Annuities in exchange for an equal nominal amount of Guaranteed Land Stock."

He reads the last phrase of the sub-section as meaning that stock is to be exchanged for stock, with an adjustment when necessary of differences in the dividends accruing upon the two stocks.

The Board will remember that it has already been agreed:

1. that the National Debt Commissioners shall exercise their power of exchanging Consols for Land Stock up to a limit, in the first instance, of 5,000,000*l.*; and
2. that, in order to promote the working of the Act, they should also exercise their power of buying Land Stock for cash from the Irish Land Commissioners, if those Commissioners have to discharge cash liabilities arising upon the sale of holdings.

These powers were given because the Chancellor of the Exchequer is of opinion that to permanent holders, such as the National Debt Commissioners, Land Stock is at least as valuable as Consols, since that stock is equally secured in the last instance upon the Consolidated Fund, and will bear interest at $2\frac{1}{2}$ per cent. per annum for at least 18 years after the interest on Consols has fallen to $2\frac{1}{2}$ per cent. per annum.

The Chancellor of the Exchequer has been in communication with the Bank of Ireland on the subject, and he is able to report that they are willing to act as agents for the National Debt Commissioners and thus to assist holders of Guaranteed Land Stock in exchanging it for Consols in Ireland.

He has now to suggest how the exchange will best be effected.

Land Stock may be divided into two categories. 1. "Mature stock," i.e., stock which carries the regular half-yearly dividends; 2. "Immature stock," i.e., stock which has been issued in the interval between dividend days, and upon which interest at $2\frac{1}{2}$ per cent., and not dividend, is, by law, payable for the broken period between the day of such issue and the ensuing dividend day (i.e., the day from which dividend will first begin to accrue).

Land Stock carries dividends payable on the 1st January and 1st July, but Consols carry quarterly dividends payable on the 5th January, 5th April, 5th July, and 5th October; and consequently exchanges of the two stocks may involve an adjustment on account of dividend, which adjustment must be effected in cash.

The exchange will be made on the following principle:—One stock will be exchanged for an equal nominal amount of the other stock, and when the dividends accruing upon the one stock exceed the dividends accruing upon the other, the amount of such difference will be paid in cash.

It should be mentioned that the "Shutting days" (i.e., the days on which the approaching dividend ceases to be transferable with the stock) are for present purposes assumed to be the 1st March, 1st June, 1st September, and 1st December for Consols, and the 1st June and 1st December for Land Stock.*

* The Banks of England and Ireland have a discretionary power under the Act 55 & 56 Vict. c. 39. about fixing the "Shutting days," provided that day fall within 37 days preceding the dividend day. The above-mentioned days, however, represent with sufficient accuracy the days usually fixed.

1. *Mature Land Stock.*

If the exchange takes place in the three months beginning December 1st or June 1st, no adjustment will be necessary, because during those periods the dividends on the two stocks will be accruing *pari passu*.* But, if the Exchange takes place in the three months beginning March 1st or September 1st, the National Debt Commissioners, or the Bank of Ireland acting on their behalf, would pay to the holder of Land Stock the amount of three months' dividend; because on the next dividend day Land Stock will bear a six months' dividend, while Consols will only bear a quarter's dividend.

2. *Immature Land Stock.*

If the exchange takes place in the months of December or June no adjustment will be necessary, because during those months neither Consols nor Land Stock entitle the transferee to an accrued dividend.

If the exchange takes place between March and May inclusive, or between September and November inclusive, the holder of Land Stock will pay to the National Debt Commissioners, or the Bank of Ireland acting on their behalf, the amount of three months' dividend; because, as the interest on Land Stock remains with the seller thereof and does not go to the transferee, the Commissioners will receive no income in respect of Land Stock corresponding to the next quarterly dividend on Consols.

Similarly, if the exchange takes place in January or February, or in July or August, the holder of Land Stock will pay to the National Debt Commissioners the amount of six months' dividend, because the Commissioners will receive no income in respect of Land Stock corresponding to the next two quarterly dividends on Consols.

As Immature Land Stock bears not dividend, but interest, and as the interest is payable to the original allottee, the Chancellor of the Exchequer is prepared to recommend the National Debt Commissioners to accept an assignment of this interest, in order to avoid the necessity of a cash payment by the holder of Land Stock. If the cash due from him exceeds the amount of the interest, the assignment must be supplemented by a cash payment. If the interest exceeds the amount of the cash due, he will be able to assign a part of the interest and to retain the remainder.

The Chancellor of the Exchequer proposes to arrange with the National Debt Commissioners that they should forthwith effect re-exchanges with the Bank of Ireland, when applied to, on precisely similar terms as those on which the exchanges are effected between the National Debt Commissioners or the Bank and the holder of Land Stock.

Whenever the National Debt Commissioners purchase Land Stock from the Irish Land Commissioners, the transaction will be carried out on similar lines, but it will be a wholly cash transaction;—that is to say, the National Debt Commissioners will pay in cash the value of the Land Stock at the average price of the day for Consols as certified to them by the Bank of England; and in addition there will be the adjustment of dividend as in the case of exchanges of Stock.

My Lords approve. They append examples of the transactions.

Send copies of the Minute to the National Debt Commissioners, Bank of Ireland, Irish Land Commissioners, and Under Secretary for Ireland.

* The small difference which is caused by the interval of four days between the dividend days of the two Stocks is left out of account throughout in determining the conditions of exchange.

EXAMPLES.

1.—MATURE LAND STOCK.

(a.) <i>No adjustment needed</i> - - -				Exchange taking place in
				{ Dec. June.
				{ Jan. July.
				{ Feb. Aug.

10,000*l.* exchanged on January 20th, 1893.

<i>Land Stock</i> <i>received by National Debt Commissioners.</i>			<i>Consols</i> <i>received by holder of Land Stock.</i>		
	£	s. d.		£	s. d.
Six months dividend payable on July 1st, 1893	137	10 0	Three months dividend payable on April 5th, 1893	-	68 15 0
			Three months dividend payable on July 5th, 1893	-	68 15 0
				<u>£137</u>	<u>10 0</u>

(b.) <i>Adjustment needed by payment of three months dividend in cash</i> - - -				Exchange taking place in
				{ March Sept.
				{ April Oct.
				{ May Nov.

10,000*l.* exchanged on April 20th, 1893.

<i>Land Stock</i> <i>received by National Debt Commissioners.</i>			<i>Consols</i> <i>received by holder of Land Stock.</i>		
	£	s. d.		£	s. d.
Six months dividend payable on July 1st, 1893	137	10 0	Three months dividend payable on July 5th, 1893	-	68 15 0
			Difference to be paid in cash by the National Debt Commissioners to the owner of Land Stock	-	68 15 0
				<u>£137</u>	<u>10 0</u>

2.—IMMATURE LAND STOCK.

(a.) <i>No adjustment needed</i> - - -				Exchange taking place in
				{ December or June.

10,000*l.* exchanged on December 20th, 1892.

<i>Land Stock</i> <i>received by National Debt Commissioners.</i>			<i>Consols</i> <i>received by holder of Land Stock.</i>		
	£	s. d.		£	s. d.
Dividend payable on January 1st, 1893	-	nil.	Dividend payable to transferee on January 5th, 1893	-	nil.

[The original allottee of the Land Stock would, on January 1st, 1893, receive interest on the Stock from date of issue to January 1st.]

